Atari Corporation

ANNUAL REPORT

1994

JAGUAR™

TO MY FELLOW SHAREHOLDERS,

During 1994 many important events occurred in the world of Atari. The Balance Sheet of the Company was greatly improved and the Jaguar multimedia entertainment system saw its first full year in the U. S. Market.

In September 1994 we reached a multifaceted agreement with Sega. Included in the terms were a cross license for software, an equity investment from Sega, and a license to Sega for patents from the extensive Atari library, but not including the pending Jaguar patents. The approximate cash infusion from this agreement was $70,000,000.

As for the Jaguar, the sales did not meet our expectations for the year and I feel that this was caused mainly by a shortage of software and by a high retail price. We have taken measures to improve the timeliness of software introductions by adding and repositioning key personnel, and focusing more of our energy on software. Late in the first quarter of 1995 we reduced the wholesale price of Jaguar to allow for a mass market retail price in the $149-$159 range.

There are now 25 titles available for the Jaguar system and of those, 8 are published by third parties. New Jaguar titles now in development number over 75. These are being worked on by internal Atari software teams, and third parties under contract to Atari, and independent publishers/developers. I have seen many of the titles being worked on and they are very exciting. Here is a short list of upcoming hits for 1995.

Ultra Vortex — a wonderful fighting game using captured full motion video, stop frame animation and computer animation, developed by Beyond Games and published by Atari.

Primal Rage — a highly successful arcade titled from TimeWarner Interactive.

Charles Barkley Basketball — a highly intense game of street basketball from a joint effort with Accolade Software.

Brett Hull NHL Hockey — a fully featured fast action hockey game from a joint effort with Accolade.

Defender 2000 — an exciting new version of the classic arcade hit of the early '80s, by game master Jeff Minter, under license from Williams, and being published by Atari.

White Men Can't Jump — an interactive adaptation of the Twentieth Century Fox movie of the same name, being published by Atari.

NBA Jam Tournament Edition — the favourite basketball game of 1995, part of a three title deal with Acclaim.

Demolition Man — full motion video from this hit movie is used in the game, published by Virgin and distributed by Atari.

Thea Realm Fighters — an arcade action title, with stars such as Ho Sung Pak from the mega hits *Mortal Kombat I and II*, being published by Atari.

In March of 1995 we announced two important software agreements. The deal with Williams Entertainment is for *Mortal Kombat III*. This arcade title is now just arriving in the amusement centers and is destined to continue the success of the series. The development of this title on Jaguar has begun and we will be shipping in April of 1996. The second agreement is with Acclaim Entertainment and is for *NBA Jam Tournament Edition, Frank Thomas Big Hurt Baseball*, and a third title which will be announced at a later date. These titles should be very popular on the Jaguar system.

At the January 1995 Consumer Electronics Show a number of Jaguar titles won industry awards. *Tempest 2000* was given the "best sound" and "best shooter" awards, *Iron Soldier* was awarded the "best simulator" and *Alien vs Predator* was the "best Jaguar game".

We are working on a number of peripherals including the Jaguar CD player and a virtual reality helmet. The CD software is under development and is looking very exciting. We are gearing up for a Fall introduction of the Jaguar CD player. As previously announced we are funding the development of a virtual reality system for the Jaguar. We are planning to show prototypes of the VR system at the E3 Entertainment Exposition during May in Los Angeles.

We have decided to enter the PC software market and our first title will be Tempest 2000. There are economies of scale in developing a title for both the Jaguar and PC and we plan a number of titles for the PC in 1995.

The video game industry is now in a transition. The 16-bit generation of games is declining rapidly and there have been announcements of new 32/64 bit systems from Nintendo, Sega, 3DO, and Sony. The consumer is uncertain at present and the retail market is therefore slow. We are giving the consumer an affordable price and a growing library of great software. In the upcoming selling season we will aggressively market the Jaguar system with a focus on technology, great software, and price.

The video game industry is now 20 years old and has provided millions of players with challenging and enjoyable experiences. We are well positioned for the next surge, the 32/64 bit generation. Our Atari engineers are working on new technologies in both hardware and software to further enhance the Jaguar system.

I suggest you read the attached 10K for more information on the results and events of 1994 at Atari.

I would like to thank our customers, employees and shareholders for their continued support.

Sincerely,

Sam Tramiel

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1994

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to ____________________

Commission File Number 1-9281

ATARI CORPORATION

(Registrant)

NEVADA	**77-0034553**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1196 Borregas Ave. **Sunnyvale, CA**	**94089**
(Address of principal executive offices)	(Zip Code)

Telephone: **(408) 745-2000**

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act:

Common Stock (par value $.01)
5¼% Convertible Subordinated Debentures

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ____X____ No ____________

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of its Common Stock on March 23, 1995 on the American Stock Exchange was $49,292,900. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded and such persons may under certain circumstances be deemed to be affiliates. This determination of officer or affiliate status is not necessarily a conclusive determination for other purposes.

Common Stock (par value $.01) of Registrant outstanding at March 23, 1995 - 63,674,785 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held June 5, 1995 are incorporated by reference into Part III hereof.

PART I

Item 1. BUSINESS

General

Atari Corporation ("Atari" or the "Company") designs and markets interactive multimedia entertainment systems and related software and peripheral products. Atari was incorporated under the laws of Nevada in May 1984. In July 1984, Atari acquired certain video game and microcomputer assets from the Atari Inc. subsidiary of Warner Communications, Inc. ("WCI") (now Time Warner, Inc.), in exchange for, among other considerations, 14,200,000 shares of the Company's common stock. As more fully described in Note 11 to the Consolidated Financial Statements, the Company entered into an agreement on March 24, 1994 to sell an additional 1,500,000 shares of common stock to Time Warner, Inc. After the completion of this transaction and the transaction described in the following sentence, Time Warner holds approximately 25% of the Company's outstanding shares of common stock. As more fully described in Note 11 to the consolidated financial statements, the Company entered into agreements on September 26, 1994 with Sega Enterprises, Ltd. ("Sega") in which the Company sold 4,705,883 common shares to Sega. Sega currently holds approximately 7.4% of the Company's common stock.

The Company operates in one industry segment—the design and sale of consumer electronic video game consoles, and associated software.

Principal Product

The Company's principal products are:

- Jaguar, a 64-bit interactive multimedia entertainment system.
- Jaguar software, which incorporates an array of licensed and nonlicensed titles, utilizing 3-D graphics high speed animation, 16.8 million colors, full motion video, motion capture techniques and 16-bit stereo sound. The software library includes titles which are cartridge based and will soon include CD based media.
- Jaguar peripherals, which include a CD-ROM player, to be shipped in the second quarter of 1995, a six-button controller and other accessory items.

Jaguar

The Company introduced the Atari 64-bit Jaguar interactive multimedia entertainment system in late November 1993 into the New York and San Francisco markets. During 1994, the Company rolled out a nationwide program and commenced initial shipments into Europe.

From its launch through the end of 1994, the Jaguar's suggested retail price was $249.99. As a result of competition and cost reductions, during the first quarter of 1995 the Company reduced the wholesale price of the Jaguar to allow retailers to offer the Jaguar at a retail price range of $149.99 to $159.99. The Company believes this price reduction was necessary in order for the Jaguar to reach its market potential and to improve sales of associated software.

The Jaguar is a 64-bit interactive multimedia system that incorporates two proprietary chips specialized for multimedia entertainment. The chips, which were developed in the Company's own facilities, are code-named "Tom" and "Jerry." The Jaguar incorporates five processors:

Located in "Tom"
- Graphics Processing Unit (GPU)
- Object Processor
- Blitter

Located in "Jerry"
- Digital Signal Processor (DSP)

Motorola 68000

The first four processors above are located in the proprietary chips and the 68000 is a standard Motorola microprocessor. The computational speed of the system is approximately 55 MIPS and the bus bandwidth is 106.4 megabytes per second. The video features include 24-bit graphics with up to 16 million colors and a 3-D engine which can render 3-D shaded or texture mapped polygons in real time. The Company believes the graphics of the Jaguar video are equal to or superior to any other system currently available.

The sound system is based on a high-speed custom DSP dedicated to audio. The audio is 16-bit CD quality from cartridge-based software, and can be processed from simultaneous sources of audio data. This allows for very realistic sounds in the software and includes human voices.

Through the use of a compression technology customized by the Company (called "JAGPEG"), software developers can compress data to the point that a 100-megabit game can fit into a 16-megabit ROM cartridge. This allows for more exciting experiences both visually and in game play due to the vast amount of data available.

The Company has developed a CD-ROM peripheral for the Jaguar and software is currently being developed to take advantage of the benefits that CD-ROM brings to the user, such as full motion video and much more data than is available on cartridges. Publishers can take advantage of lower media cost and quicker turnaround on orders with CD-ROM as compared to ROM cartridge. The CD peripheral is a double speed player and can also play back regular audio CD's and CD + G (graphics). The Company is also developing a VCR-quality Full Motion Video plug-in cartridge utilizing an MPEG chip which will allow for the playback of any software compatible to "White Book" specifications, such as many CD videos. The Company expects to ship the CD-ROM peripheral in the second quarter of 1995. The suggested retail price will be $149.99.

The success of the CD-ROM peripheral depends in part on the size and growth rate of the installed base of cartridge-based Jaguar consoles. In addition, the size and growth rate of the CD-ROM peripheral is a significant factor in determining whether software title developers will allocate resources to developing titles for the Jaguar CD-ROM peripheral.

The Company is further developing the Jaguar hardware and is now working on the second generation of the Jaguar architecture. It is intended that titles developed for the current version of the Jaguar console will play on the successor version of Jaguar. The second generation Jaguar console will also be able to play even more advanced software with more animation and realistic texture mapping.

The Jaguar console is currently being assembled by Comptronix in the U.S.A. The proprietary chips "Tom" and "Jerry" are manufactured by Motorola.

Jaguar Software Titles

The Company develops titles for the Jaguar through its internal staff and under contract with third party software developers. The Company has published and is presently marketing approximately 17 software titles for the Jaguar. In addition, the Company is developing approximately 55 titles which the Company may publish in either cartridge or CD format, or both.

In addition to the Company's software development, the Company has licensed Independent Software Vendors ("ISVs") to develop and publish titles for Jaguar. The Company receives a royalty on all such publishing. The Company estimates that the ISVs are currently publishing 8 titles and have in development 17 titles. In order to improve its profitability, the Company from time to time publishes titles that have been developed by ISVs.

The types of software under development by the Company include fighting games, sports simulations, driving and flight simulators, and puzzle and action games. Due to the popularity of certain genres of videogames, certain of the software titles being developed by the Company will compete directly with software titles developed by other third party software developers.

Due to the sophistication and complexity of the Company's development system and demand for high quality software titles, the time to develop software titles can typically range from as little as seven months to as long as 20 months, depending upon the complexity, graphics and audio of the game. The Company estimates that by December 1995 approximately 50 to 75 titles will be available for the Jaguar.

During 1994, the Company experienced substantial delays in releasing software titles. These delays are attributable to (i) the unforeseen length of time required to develop Jaguar programming expertise internally and at independent software developers (ISV's), and (ii) the Company and the ISV's underestimated the time required to develop Jaguar games. The Company and the ISV's have developed Jaguar programming expertise, which the Company believes has placed the development of Jaguar titles on a more steady stream. However, there can be no assurance that the Company or the ISV's will have completed software titles as of any particular date, that any software title will be of high quality, or that any software title will achieve market acceptance.

Licensed Properties

The Company considers certain licensed properties to be important in the marketing of software titles and has entered into arrangements in which it will publish *Mortal Kombat III* (expected to be released during 1996) and *Defender 2000* (expected to be in 1995), licensed from Williams Entertainment, Inc., and *Batman Forever*, licensed from DC Comics (expected to be released first quarter 1996). In addition, the Company has entered into an agreement to develop and distribute in late 1995 and early 1996 Jaguar versions of three titles containing licensed properties and published by Acclaim Entertainment: *Frank Thomas "Big Hurt" Baseball, NBA Jam Tournament Edition*, and a third title to be announced publicly in late 1995. In addition, the Company has licensed the popular *Highlander* animated series developing three CDs for Jaguar and PC platforms. The Company has licensed from Kushner-Locke the new Wes Craven horror movie, the Mindripper, the video game version is scheduled to be published in 1996. The Company has published *Alien vs. Predator*, which is currently the best selling title for Jaguar thus far.

PC Software

As a result of the Company's investment in game design, art and programming for its Jaguar software, the Company has decided to port and publish certain of its Jaguar titles on the IBM PC compatible platform. The Company intends to leverage its investment in development by selling additional quantities of software of a title over a larger installed hardware base. The Company has recently made this decision, and expects to publish four titles in CD media by the end of 1995, the first of which will be the Jaguar top-selling title, *Tempest 2000*.

Competition

Although the Company believes that the Jaguar offers greatly enhanced performance characteristics, there can be no assurance that the Jaguar will be a broadly accepted, industry standard video game console, or that the Jaguar technology will be broadly adopted by software title developers. In addition, the video game industry is characterized by unpredictable and rapid shifts in the popularity of certain platforms, by severe price competition, and by frequent new technology and product introductions.

As described above, numerous companies have introduced or have developed and are expected to introduce videogame consoles that are or may become competitive with the Jaguar. The Company competes with the following companies:

- Nintendo of America, Inc. and its affiliates ("Nintendo"), which has commenced development, in collaboration with Silicon Graphics, Inc. of the Ultra 64 player, expected to be released in Autumn 1995;
- Sega Enterprises, Ltd. and its affiliates ("Sega"), which has (i) previously released its 32X peripheral device for the Sega Genesis; and (ii) announced the availability of the Sega Saturn (previously released in Japan) in the United States in September 1995 at a price range of $350 to $450;
- Sony Corporation and its affiliates ("Sony") which has released the Sony PlayStation in Japan and is expected to introduce the console in the United States in Fall 1995; and
- The 3DO Company, which continues to license the 3DO Interactive Multiplayer System console architecture to Goldstar and Panasonic for retail sale worldwide.

Most of the above companies have substantial experience and expertise in 3D graphics and multimedia technology and in manufacturing products through retail distribution, and also have substantially greater engineering, marketing and financial resources than the Company.

Atari Lynx and Falcon Computers

The Company offers a color portable hand-held video game system called the Atari Lynx. The Lynx provides 16-bit color graphics, stereo sound, fast action and depth of game play. Over 65 different games are currently available. The Company is currently selling off its remaining inventory. In addition, the Company has exited the computer business and is selling off those remaining inventories as well.

The percentage breakdown of the Company's sales for the last three fiscal years is as follows:

	Video Games	Computers
1994	84 %	16 %
1993	33 %	67 %
1992	34 %	66 %

Marketing and Distribution

The Company distributes its products domestically through various independent channels. Interactive multimedia entertainment systems are sold primarily through national retailers, consumer electronic specialty stores and distributors of electronic products. European sales are conducted from the Company's European headquarters in London, U.K. The European markets are served through substantially the same channels of distribution as those in the United States market.

Net sales outside North America for fiscal years 1994, 1993 and 1992 constituted approximately 41%, 75% and 85% , respectively, of total net sales.

The Company's sales are subject to seasonality which is characteristic of the consumer electronics market. This seasonality has historically been characterized by increased sales in the fourth quarter. The Company expects that its future sales will continue the typical seasonality of the market.

No single customer accounted for 10% or more of total net sales for the years ended December 31, 1994, 1993 or 1992.

Backlog

The Company purchases products and components according to its forecast of near-term demand, and not primarily to specific customer orders. Warehoused inventories of finished products are maintained in advance of receipt of orders. Orders are usually placed by purchasers on an as-needed basis, are cancelable before shipment, and are usually filled from inventory shortly after receipt. Accordingly, in line with industry practice, the backlog of orders at any time is generally not material and not indicative of actual sales in any future period.

Research and Development

The Company's ability to compete depends, in large measure, on its ability to adapt to the rapid technological changes, including hardware systems, related software, and peripheral products. In this regard, the Company is committed to an ongoing program of research and development, focused substantially on the Jaguar product line. Most of the Company's products, including Jaguar, have been developed by its internal engineering and software groups as well as independent software developers under contract with the Company. The Company's research and development expenditures totaled $5.8 million, $4.9 million and $9.2 million, in 1994, 1993, and 1992, respectively.

The Company is engaged in an on-going program to develop software for Jaguar. As part of this development process, the Company enters into agreements with third parties to develop and/or license properties. Under these agreements, the Company will make payments to these parties as either development fees and/or advance royalties, and will possibly contractually obligate itself to minimum royalty guarantees on future sales. Payments for development and advance royalties are capitalized as software development costs and are amortized to cost of sales as the developed products are sold or with the passage of time, whichever is shorter. As of December 31, 1994, the Company has capitalized software development costs of $5.1 million.

The Company periodically assesses, by reference to current and estimated sales, the recoverability of these costs and charges to current operations costs that are determined to no longer be recoverable. In this regard, there can be no assurance that all payments for development fees and/or advance royalties will be recoverable through future sales of products.

Manufacturing

The Jaguar console unit is assembled in the United States by a third-party subcontractor under an agreement covering various terms of this manufacturing arrangement. The agreement may be canceled by either party with a 90-day notice period. Cancellation of the agreement could have a material adverse impact on the Company's ability to achieve its near-term plans. The Company intends to secure an alternative manufacturing source for Jaguar in 1995.

The Jaguar console unit is assembled from component parts purchased from various suppliers. The Company's custom 64-bit RISC processor chip set is currently purchased from Motorola as a single source. The Company's business would be adversely impacted by added costs or delays if deliveries from this supplier are interrupted. The Company has available a second source, which it is currently not using, for its custom chips. Other component parts are acquired from multiple sources and have been readily available.

Jaguar software products and accessories are manufactured by several suppliers and are assembled by subcontractors. The Company believes that, in comparison to the Jaguar console unit, it is less dependent on these manufacturers and subcontractors and that it could replace these sources of supply and assembly more readily.

Exports

Export information is contained in Note 14 of the notes to consolidated financial statements. Gross margins on sales of products internationally and on sales of products that include components from foreign suppliers may be adversely or positively affected by foreign currency exchange rate fluctuations and by current and proposed international trade regulations, including tariffs and anti-dumping penalties.

Intellectual Property Rights

The Company's most significant trademarks are its "Atari" name and logo, both of which the Company has exclusive use in all areas other than coin-operated arcade video game use. The Company also has a portfolio of intellectual properties including patents, trademarks, and copyrights associated with its video game and computer businesses. The Company believes the ownership of its patents, trademarks and other intellectual property to be important assets and it considers such rights to be important in the marketing of its products along with technological innovation and expertise, efficient production, and marketing strength. The Company holds 178 utility patents on a worldwide basis and applications pending for 3 additional utility patents. The Company's existing utility patents expire between the years 1995 and 2010.

The Company's rights to make, use and sell certain computer and video game software are held through licenses from third parties. Although not currently significant, the Company has an exclusive right to the TOS operating system and non-exclusive right to certain development tools developed by Digital Research, Inc., a subsidiary of Novell, Inc., for the ST, TT and Falcon030 series of computers. The operating system license is fully paid and includes the right to produce unlimited copies in perpetuity.

As the Jaguar entertainment console has been internally developed, the Company does not have any license arrangements with third parties.

The Company has, from time to time, been notified of claims that it may be infringing patents owned by others. The Company assesses such claims on a case-by-case basis and seeks licenses under such patents where appropriate. Based upon industry practice, the Company believes that if it is found to have infringed such patents, it will be able to implement the necessary modifications to avoid infringement or obtain licenses on terms which will not have a material effect on its operations, although no assurance can be given that the terms of any offered license will be acceptable to the Company. However, there can be no assurance that the Company or its software licensees will be able to obtain from third parties any required license at all; a failure by the Company to obtain such a license would have a material adverse impact on the Company.

Employees

As of December 31, 1994, the Company had approximately 101 employees in the U.S., including 58 in engineering and product development, 18 in marketing, sales and distribution, 5 in purchasing and production, and 20 in general administration and management; in addition, the Company had approximately 16 employees outside the U.S.

None of the employees are represented by a labor union. The Company considers its employee relations to be good.

Many of the Company's employees are highly skilled. The Company's business depends, to a great extent, on its ability to attract and retain highly skilled employees. The interactive multimedia industry is characterized by a high level of employee mobility and aggressive recruiting of skilled personnel, and as such, the Company competes for its employees with interactive multimedia companies and other high technology companies, many of which have greater resources.

Item 2. PROPERTIES

The Company leases its 46,000 square foot headquarters facility and 86,000 square feet of warehousing space in Sunnyvale, California. The Company leases international sales facilities in or near Slough, England and Amsterdam, the Netherlands. The Company believes that its properties are well maintained and in good operating condition.

The Company holds certain properties for sale and/or lease. These properties are reported as real estate held for sale in the accompanying consolidated financial statements.

All leases are with third parties otherwise unaffiliated with the Company.

Item 3. LEGAL PROCEEDINGS

The Company and three other parties are defendants in a civil action brought in the United States District Court for the Northern District of California by Light Impressions, Inc. and Stephen P. McGrew in September 1986 seeking unspecified damages for activities in restraint of trade (an antitrust claim for which damages, if awarded, could be trebled) relating to holography patents rights sold by the Company in 1986. The Company believes this action will have no material adverse effect on the Company's consolidated financial condition or results of operations.

The Company is a defendant and cross-complainant in a civil action brought in the Superior Court of the State of California in and for the County of Santa Clara by Magnetics Electronic, Ltd., a subsidiary of Termbray Industries International (Holding) Ltd., a former manufacturing subcontractor, in June 1993 seeking damages in the amount of $3.4 million, together with interest at the rate of 10% per year from May 1992, for alleged breach of contract. The Company believes this action will have no material adverse effect on the Company's consolidated financial condition or results of operations.

The Company is a defendant in a civil action brought in the Superior Court of the State of California in and for the County of Santa Clara by Citizen America Corporation, a former supplier, in February 1994 seeking damages in the amount of $0.9 million for alleged breach of contract, open book account, goods furnished and account stated. The Company believes this action will have no material adverse effect on the Company's consolidated financial condition or results of operations.

The Company is a defendant and counter claimant in a civil action for alleged breach of contract brought in U.S. District Court for the Northern District of New York, case number 95 Civ. 1935, by Tradewell, Inc., a New York corporation, seeking specific performance for release of goods having a value of $1.6 million. The Company has counterclaimed seeking specific performance for the purchase of media, or alternatively, damages in the amount of $3.3 million. The Company believes this action will have no material adverse effect on the Company's consolidated financial condition or results of operations.

The Company is not aware of any other pending legal proceedings against the Company and its consolidated subsidiaries other than routine litigation incidental to their normal business.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock has publicly traded on the American Stock Exchange since November 7, 1986 under the symbol ATC.

The following table sets forth the high and low sale prices for the Company's stock for the respective periods shown, as reported on the consolidated transaction system:

Calendar Period	High	Low
1993:		
1st Quarter	$1 7/16	$1
2nd Quarter	4 1/2	1/2
3rd Quarter	5 1/2	3 1/4
4th Quarter	12 3/4	4 3/8
1994:		
1st Quarter	8 1/8	5 5/8
2nd Quarter	6 5/8	2 7/8
3rd Quarter	7 3/4	2 7/8
4th Quarter	7 3/8	3 9/16

As of March 23, 1995, the Company had 2,779 shareholders of record of common stock. The Company has no other shares outstanding. The Company has not paid cash dividends on shares of its common stock since its inception and the Company currently intends to reinvest earnings in the business. Accordingly, it is anticipated that no cash dividends will be paid in the foreseeable future.

Item 6. SELECTED FINANCIAL DATA

The selected financial data have been derived from the Company's Consolidated Financial Statements. The information set forth below should be read in conjunction with the Company's Consolidated Financial Statements and related notes and with Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,				
	1994	1993	1992 (In thousands, except per share data)	1991	1990
Statement of operations data:					
Net sales	$ 38,444	$ 28,805	$127,340	$257,992	$411,471
Operating income (loss)	(24,047)	(47,499)	(79,008)	(18,683)	(25,220)
Income (loss) from continuing operations	9,394	(48,866)	(82,719)	23,659	(20,847)
Income (loss) before extraordinary credit	9,394	(48,866)	(73,719)	23,659	(6,213)
Net income (loss)	9,394	(48,866)	(73,615)	25,619	14,874
Per common share data:					
Income (loss) from continuing operations	$ 0.16	$ (0.85)	$ (1.44)	$ 0.41	$ (0.36)
Income (loss) before extraordinary credit	$ 0.16	$ (0.85)	$ (1.29)	$ 0.41	$ (0.11)
Net income (loss)	$ 0.16	$ (0.85)	$ (1.28)	$ 0.44	$ 0.26

	December 31,				
	1994	1993	1992 (in thousands)	1991	1990
Balance sheet data:					
Working capital	$ 92,670	$ 33,896	$ 75,563	$159,831	$131,901
Total assets	131,042	74,833	138,508	253,486	272,638
Long-term obligations (including current portion)	43,454	52,987	53,937	48,805	49,016
Shareholders' equity	67,070	4,354	50,583	125,529	101,260

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Over the past several years, the Company has undergone significant change. In 1992 and 1993, the Company significantly downsized operations, decided to exit the computer products business and refocused on its video game business. These actions resulted in restructuring charges for closed operations and in write-downs of computer and older video game inventories in 1992 and 1993.

During the same period, the Company developed its 64-bit interactive multimedia entertainment system, Jaguar, which was launched in the fourth quarter of 1993. In 1994, Jaguar contributed a substantial portion of net sales, and in early 1995 the Company lowered the retail price of the Jaguar console unit to make it more price competitive in the market place. During 1994, the Company invested significantly in the development of software game titles to be used on the Jaguar system and expects to increase this level of investment in 1995.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1994

Net sales for the year ended 1994 were $38.4 million as compared to $28.8 million for 1993, or a 33% increase. The increased sales were primarily a result of the Company's national rollout of its new 64-bit Jaguar entertainment system and related software. Sales of the Jaguar represented 77% of total sales in 1994 as compared to 13% in 1993. The Jaguar was launched into two markets in late fall of 1993, and approximately 100,000 units were sold by the end of 1994 at a suggested retail price of $249.99. In the first quarter of 1995, as a result of its research and development and manufacturing process efforts and competitive analysis, the Company reduced the wholesale selling price of Jaguar enough to allow retailers to sell it from $149.99 to $159.99. This price reduction will make Jaguar very competitive with older-technology 16-bit systems currently being offered in the market today. In addition, the Company is presently publishing approximately 20 Jaguar game software titles. Sales of Lynx (a portable hand-held video game), Falcon 030 computers and other older products represented 23% of sales in 1994 as compared to 87% for 1993.

The gross margin for the year ended 1994 was $3.4 million or 8.7% of sales as compared to a gross loss of $13.7 million for 1993. Included in the gross margins are inventory write-downs of $3.6 million and $18.1 million for 1994 and 1993, respectively, and a write-down in software development costs of $2.0 million in 1993. In the fourth quarter of 1994, the Company adjusted the value of its finished and in-process Jaguar consoles to reflect reduced manufacturing and selling prices. During 1993, the Company wrote down inventories by $7.5 million and $10.6 million in the third and fourth quarters, respectively. These write-downs were attributable to older 16-bit and below personal computers and 8-bit video game products and write-downs of Lynx and Falcon products to estimated realizable values that were made concurrently with the introduction and change in marketing focus to the Company's Jaguar line of products. Eliminating these write-downs from the gross margins would have resulted in gross margins of 18% and 22% for 1994 and 1993, respectively. The gross margin percentage for 1994 was primarily a result of the limited software library of game titles for the Jaguar. Jaguar console units were sold with little, or no, margin while significantly higher margins were achieved on software sales. Through the first nine months of 1994, six titles were available for Jaguar, and by year end seventeen titles were available. The gross margin percentage for 1993 reflects the effects of restructuring and refocusing, as the Company sold its older inventories of games and computer products at low average selling prices.

Research and development expenses for 1994 were $5.8 million as compared to $4.9 million for 1993. The increase resulted from increased expenditures for the Jaguar product line. The Company is committed to an ongoing program of software development and continued enhancements of the custom chip set for Jaguar which includes cost reductions and design enhancements. The Company employs people in both the hardware and software areas for Jaguar. In addition to its internal staff, the Company contracts with third-party software developers to develop Jaguar games. Payroll and other operating costs for internal development are expensed as incurred. Payments to third-party developers are capitalized and amortized over the lower of estimated rates of sale of the related software or 12 months from game introduction. At December 31, 1994 and 1993, the Company had $5.1 million and $0.8 million, respectively, of capitalized game software development costs.

Marketing and distribution expenses were $14.5 million for 1994 as compared to $8.9 million for 1993. The increase in expenditures was primarily the result of the national rollout in 1994 of the Company's Jaguar entertainment system. Such costs included TV and print media promotions and other activities. The Company believes that TV advertising is the most effective means to promote Jaguar and plans to continue to invest through 1995 and beyond to allow Jaguar to reach its market potential.

General and administrative expenses for 1994 were $7.2 million as compared to $7.6 million for 1993. The marginally lower general and administrative expenses are primarily due to the full impact of the Company's restructuring programs in 1993. During 1993, the Company made provisions for restructuring totaling $12.4 million. These provisions included closing many of the Company's operations in Europe, Asia and Australia, including, but not limited to, severance payments, rental commitments and other closure costs.

For 1994, the Company experienced a gain on exchange of $1.2 million as compared to a loss on exchange of $2.2 million in 1993. This change was a result of fluctuation in exchange rates, a lower foreign asset exposure and a greater percentage of sales made in U.S. dollars, thereby further reducing exposure to foreign currency transaction fluctuations.

As a pioneer of the video game industry back in the mid to late seventies, the Company developed certain process to create and move images on video displays. During 1994, the Company settled with two of its competitors with respect to pending infringement litigation. During the first quarter of 1994, the Company received $2.2 million with respect to the settlement of litigation between the Company, Atari Games Corporation and Nintendo. Although not part of the litigation, Time Warner Inc. (parent company of Atari Games Corporation) purchased 1.5 million shares of the Company's stock for $8.50 per share, or $12.8 million. During the fourth quarter of 1994, the Company reached an agreement with Sega Enterprises Ltd., which resulted in a gain of $29.8 million, after contingent legal fees, and the sale of approximately 4.7 million shares of the Company's stock for $8.50 per share, or $40 million.

For 1994 and 1993, interest expense was approximately $2.3 million on the Company's 5.25% convertible subordinated debentures.

Interest income for 1994 and 1993 was $2 million. Although the Company achieved the same level of interest income each year, this was primarily the result of lower average cash balances in the first nine months of 1994 offset somewhat by higher interest rates and significantly higher cash balances in the fourth quarter of 1994.

As a result of the Company's net operating loss carryforwards and timing differences between financial and tax reporting, no taxes were provided in 1994. Operating loss and tax credit carryforwards are described in Note 12 to the consolidated financial statements.

As a result of the factors discussed above, the Company reported net income for 1994 of $9.4 million as compared to a net loss of $48.9 million in 1993.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1993

Net sales in 1993 were $28.8 million as compared to $127.3 million in 1992, a decline of 77%. Sales declined significantly as the Company downsized, closed operations and changed its product focus. Sales of the Jaguar product line began in the fourth quarter of 1993 with approximately 17,000 console units shipped which, along with related software sales, resulted in $3.8 million of Jaguar product sales in the quarter.

For the reasons discussed under "General" above, there was a steady decline from 1992 to 1993 in unit sales and in sales prices of older technology video games and computer products. The sales mix in 1993 was 13% Jaguar sales, 20% other video game sales and 67% computer product sales.

Gross margin for 1993 was negative \$13.7 million. Because of reduced sales and the conditions discussed under "General" above, the Company recorded write-downs of inventories of \$18.1 million and of software development costs of \$2.0 million, and charged these write-downs to cost of sales. Without these write-downs, gross margin would have been 22%, compared to a similarly-adjusted margin of 26% for 1992. The decline in this adjusted gross margin resulted primarily from lower unit sales prices in 1993 than in 1992.

Research and development, marketing and distribution and general and administrative expenses were all significantly lower in 1993 than in 1992 due to the factors discussed under "General" above. As a percentage of sales, however, each of these groups of expenses increased, due in part to the significant decline in sales, due to some level of costs being relatively fixed and to selected expenditures made for development and introduction of the Jaguar product line.

In 1993, substantially all research and development expenses related to the Jaguar product line. At December 31, 1993, \$0.8 million of Jaguar software development costs were capitalized and will be amortized in 1994. Market and distribution costs included approximately \$3.0 million incurred in the second half of 1993 for promotion of the Jaguar product line.

The restructuring charges recorded in 1993 are discussed in Note 1 to the consolidated financial statements. These charges were for closure of operations in a number of foreign locations, and included approximately \$6.9 million of noncash charges, primarily for elimination of accumulated translation adjustments with the closure of those entities and losses on the anticipated sales of real estate in Europe. Cash charges of \$5.5 million included the costs of closure and employee termination and severance costs.

Loss on exchange was lower than in 1992 due to the reduction in foreign operations. Interest income was lower than in 1992 due to the lower level of invested funds due to losses in 1992 and 1993 and, to a lesser extent, due to lower interest rates on invested funds.

The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires that deferred income taxes be computed using an asset and liability approach. Due to operating losses in recent years, the Company had no income tax provision and only a modest tax recovery for loss carryback.

For the reasons discussed above, the Company incurred a net loss of \$48.9 million in 1993.

FUTURE OPERATING RESULTS

As stated above, the Company has refocused itself as an interactive multimedia entertainment company with its Jaguar product line and its planned entry into entertainment software for the PC platform. Sales of Jaguar hardware and software products constituted approximately 77% of net sales in 1994 and 13% in 1993 (46% in the fourth quarter of 1993).

The Company believes that net sales and operating results for 1995 will depend largely on the success of the Jaguar system, primarily game software. To achieve profitable operations in the longer term, the Company needs to (1) increase the number of Jaguar console units in the market and (2) increase the number of software titles, which have significantly higher profit margins than the Jaguar console unit.

In 1995, the Company has:

- Lowered the retail price point for its Jaguar console unit to make it more price competitive.

- Continued to invest heavily in Jaguar game development and entered into arrangements to publish certain licensed proprietary titles.

At the same time, there can be no assurance that Jaguar will be commercially successful or that the Company will achieve profitable operations through its Jaguar product line. Factors affecting the success of Jaguar include the continuous development of a broad library of software, the marketing of hardware and software and the timing of competitive product introductions to the market during the next 12 to 24 months.

As many of these factors are beyond the control of the Company, no assurance can be made that Jaguar will achieve broad market acceptance or that the Company will be successful.

INTERNATIONAL SALES

Net sales outside North America for 1994, 1993 and 1992 were $15.6 million, $21.7 million and $108 million (41%, 75% and 85% of total sales), respectively.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1994, cash and marketable securities were $81.0 million as compared to $30.7 million at December 31, 1993. The increase in cash and marketable securities primarily was a result of the sale of additional common stock of the Company for $53.7 million in connection with settlement of patent litigation with Nintendo and Sega Enterprises Ltd. For 1994, net income was $9.4 million. Cash provided by earnings was invested in inventory, capitalized software development and increased receivables which resulted in net funds provided from operations of $1.7 million.

At December 31, 1994, the Company was obligated under outstanding letters of credit of $4.5 million, which were collateralized by cash balances.

Management believes that existing cash and marketable securities balances are sufficient to meet its cash requirements through at least 1995. Beyond 1995, refer to "Future Operating Results," above.

ITEMS 8 AND 14(a)
ATARI CORPORATION AND SUBSIDIARIES
Index to Consolidated Financial Statements
and Financial Statement Schedules

All other schedules are omitted because they are not required or the required information is shown in the financial statements or the notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors
of Atari Corporation:

We have audited the accompanying consolidated balance sheets of Atari Corporation and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1994. Our audits also included the financial statement schedule listed in the Index at Items 8 and 14(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Atari Corporation and subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

San Jose, California
March 17, 1995

ATARI CORPORATION

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1994 AND 1993
(Amounts in Thousands, Except Share and Per Share Amounts)

ASSETS	1994	1993
CURRENT ASSETS:		
Cash and equivalents (including $4,450 and $18,965 held as restricted balances in 1994 and 1993 - Note 9)	$ 22,592	$ 23,059
Marketable securities (Note 2)	58,432	7,680
Accounts receivable (less allowances for returns and doubtful accounts: 1994, $1,957; 1993, $1,048)	9,262	5,929
Inventories (Note 4)	18,185	12,548
Other current assets (Note 2)	4,717	1,383
Total current assets	113,188	50,599
GAME SOFTWARE DEVELOPMENT COSTS - Net (Note 5)	5,145	789
EQUIPMENT AND TOOLING - Net (Note 6)	1,315	1,020
REAL ESTATE HELD FOR SALE (Note 7)	10,741	20,924
OTHER ASSETS	653	1,501
TOTAL	$ 131,042	$ 74,833

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 15,341	$ 11,621
Accrued liabilities (Note 8)	5,177	5,871
Total current liabilities	20,518	17,492
LONG-TERM OBLIGATIONS (Note 10)	43,454	52,987
COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)	-	-
SHAREHOLDERS' EQUITY (Note 13):		
Preferred stock, $.01 par value - authorized, 10,000,000 shares; none outstanding	-	-
Common stock, $.01 par value - authorized, 100,000,000 shares; outstanding: 1994, 63,648,535 shares; 1993, 57,214,587 shares	636	572
Additional paid-in capital	196,138	142,497
Notes receivable from sale of common stock	-	(3)
Unrealized gain on marketable securities	542	-
Accumulated translation adjustments	(1,724)	(796)
Accumulated deficit	(128,522)	(137,916)
Total shareholders' equity	67,070	4,354
TOTAL	$ 131,042	$ 74,833

See notes to consolidated financial statements.

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992
(Amounts in Thousands, Except Per Share Amounts)

	1994	1993	1992
NET SALES	$ 38,444	$ 28,805	$ 127,340
COST AND EXPENSES:			
Cost of sales	35,093	42,550	132,455
Research and development	5,775	4,876	9,171
Marketing and distribution	14,454	8,895	31,125
General and administrative	7,169	7,558	16,544
Restructuring charges	-	12,425	17,053
Total operating expenses	62,491	76,304	206,348
OPERATING LOSS	(24,047)	(47,499)	(79,008)
Settlements of patent litigation (Note 11)	32,062	-	-
Exchange gain (loss)	1,184	(2,234)	(5,589)
Other income	484	854	927
Interest income	2,015	2,039	4,039
Interest expense	(2,304)	(2,290)	(3,522)
Income (loss) before income taxes	9,394	(49,130)	(83,153)
Income tax credit (Note 12)	-	264	434
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY CREDIT	9,394	(48,866)	(82,719)
Discontinued operations (Note 3)	-	-	9,000
INCOME (LOSS) BEFORE EXTRAORDINARY CREDIT	9,394	(48,866)	(73,719)
Extraordinary credit - gain on extinguishment of 5¼% convertible subordinated debentures, no tax effect due to utilization of loss carryforwards	-	-	104
NET INCOME (LOSS)	$ 9,394	$ (48,866)	$ (73,615)
EARNINGS (LOSS) PER COMMON SHARE:			
Income (loss) from continuing operations	$ 0.16	$ (0.85)	$ (1.44)
Income (loss) before extraordinary credit	$ 0.16	$ (0.85)	$ (1.29)
Net income (loss)	$ 0.16	$ (0.85)	$ (1.28)
Number of shares used in computations	58,962	57,148	57,365

See notes to consolidated financial statements.

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992
(Amounts in Thousands)

	Common Stock		Additional Paid-In Capital	Notes Receivable from Sale of Common Stock	Accumulated Translation Adjustments	Unrealized Gain on Marketable Securities	Accumulated Deficit	Total
	Shares	Amount						
BALANCES, JANUARY 1, 1992	57,584	$576	$143,116	$(199)	$(2,529)	$ -	$ (15,435)	$125,529
Common stock repurchased	(447)	(5)	(801)					(806)
Payments on notes receivable				180				180
Translation adjustments					(705)			(705)
Net loss							(73,615)	(73,615)
BALANCES, DECEMBER 31, 1992	57,137	571	142,315	(19)	(3,234)	-	(89,050)	50,583
Stock options exercised	89	1	191					192
Common stock repurchased	(11)		(9)	9				-
Payments on notes receivable				7				7
Translation adjustments					2,438			2,438
Net loss							(48,866)	(48,866)
BALANCES, DECEMBER 31, 1993	57,215	572	142,497	(3)	(796)	-	(137,916)	4,354
Sale of common stock	6,277	63	53,270					53,333
Stock options exercised	157	1	371					372
Payments on notes receivable				3				3
Translation adjustments					(928)			(928)
Unrealized gain on marketable securities						542		542
Net income							9,394	9,394
BALANCES, DECEMBER 31, 1994	63,649	$636	$196,138	$ -	$(1,724)	$542	$(128,522)	$ 67,070

See notes to consolidated financial statements.

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992
(Amounts in Thousands)

	1994	1993	1992
OPERATING ACTIVITIES -			
Net cash provided (used(by continuing operations	$ 1,689	$(17,429)	$ (7,318)
INVESTING ACTIVITIES:			
Sale of marketable securities	-	2,525	-
Purchase of marketable securities	(50,000)	-	(10,180)
Purchases of property, equipment and tooling	(1,207)	(663)	(3,243)
Sale of property	7,543	-	187
Game software development costs	(4,356)	(789)	-
Other assets	482	541	(90)
Net cash provided (used) by investing activities	(47,538)	1,614	(13,326)
FINANCING ACTIVITIES:			
5¼% convertible subordinated debentures extinguished	-	-	(92)
Repayments of borrowings	(7,642)	(259)	(12,733)
Issuance of common stock	53,708	199	180
Repurchase of common stock	-	-	(806)
Net cash provided (used) by financing activities	46,066	(60)	(13,451)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(684)	(356)	3,668
NET DECREASE IN CASH AND EQUIVALENTS	(467)	(16,231)	(30,427)
CASH AND EQUIVALENTS:			
Beginning of year	23,059	39,290	69,717
End of year	$ 22,592	$ 23,059	$ 39,290
OTHER CASH FLOW INFORMATION (FROM CONTINUING OPERATIONS):			
Interest paid	$ 2,303	$ 3,023	$ 6,994
Income taxes refunded	$ (426)	$ (225)	$ (786)
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of debt in exchange for land and building	$ -	$ -	$ 6,387
Exchange of inventory for advertising services	$ 3,179	$ -	$ -
Exchange of property for retirement of debt	$ 1,891	$ -	$ -

(Continued on next page)

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992
(Amounts in Thousands)

	1994	1993	1992
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY CONTINUING OPERATIONS:			
Net income (loss)	$ 9,394	$(48,866)	$(73,615)
Discontinued operations	-	-	(9,000)
Gain from extinguishment of 5-1/4% convertible subordinated debentures	-	-	(104)
Depreciation and amortization	3,423	361	2,776
Provision for doubtful accounts	194	232	986
Provision for sales returns and allowances	1,563	457	3,560
Provision for restructuring	-	12,425	17,053
Gain on sale of marketable securities	-	(324)	-
Provision for inventory valuation	5,362	18,100	36,900
Provision for valuation of marketable securities	-	-	300
Changes in operating assets and liabilities:			
Accounts receivable	(5,383)	16,863	46,190
Inventories	(14,177)	951	12,827
Other assets	(1,790)	3,178	2,940
Accounts payable	3,763	(4,925)	(31,220)
Accrued liabilities	(660)	(15,881)	(16,911)
Net cash provided (used) by continuing operations	$ 1,689	$(17,429)	$ (7,318)

See notes to consolidated financial statements.

(Concluded)

ATARI CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1994, 1993 and 1992

1. COMPANY

Company - The Company designs and markets interactive multimedia entertainment systems and related software and peripheral products. Manufacture of these products is performed primarily by third parties. The principal methods of distribution are through mass market retailers, consumer electronic specialty stores and distributors of electronic products.

Product Focus - Since 1992, the Company has focused its research and development effort on its 64-bit interactive multimedia entertainment system, Jaguar. This product was introduced in 1993 and, in 1994, 77% of net sales were associated with this product. In 1995, the Company plans to increase the level of expenses for Jaguar game development and marketing. Future profitability is dependent upon the success of this product.

As a result of continued technological developments associated with the Jaguar chipset, the cost to manufacture the Jaguar hardware units is declining. In December 1994, the Company planned price reductions beginning in early 1995 and recognized the impact of this decision on finished and in-process inventory through a write down of inventory of $3,600,000, which is included in cost of sales in the fourth quarter.

The Company continues to carry limited quantities of its older 8-bit and 16-bit video games and computer product lines. As a result of rapid technological change and intense competition, the Company wrote down inventories of these products by $18.1 million in 1993 and $36.9 million in 1992. All of these write-downs have been included in cost of sales.

Settlements of Patent Litigation - In the first and fourth quarters of 1994, the Company settled certain patent infringement suits. Both settlements resulted in cash payments to Atari and the sale of the Company's common stock. Settlement receipts, net of settlement costs, recorded in other income were $2.2 million in the first quarter and $29.8 million in the fourth quarter.

Restructuring - The Company has active operations in the United States, the Netherlands and the United Kingdom. During 1993 and 1992, the Company significantly restructured its operations around the world, closing operations in Australia and the Far East, in several European countries and in Canada and Mexico. These operational closures resulted in the bankruptcy of subsidiaries in Australia and Germany and may result in the voluntary or involuntary liquidation or bankruptcy of other subsidiary companies.

Charges for restructuring have been separately reported in the consolidated statements of operations for 1993 and 1992. Accruals for restructuring costs are included in accrued liabilities (see Note 8) and relate primarily to lease obligations in Australia, which continue until August 1995.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the Company and its subsidiaries. All transactions and balances between the companies are eliminated.

Cash and Equivalents - Cash equivalents are stated at cost, which approximates market value, have maturities not exceeding ninety days upon acquisition and generally consist of certificates of deposit, time deposits, treasury notes and commercial paper.

Marketable Securities - Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Marketable securities are carried as available-for-sale securities and reported at the fair market value. The cumulative effect of adoption of SFAS 115 as of January 1, 1994 was not material. Unrealized gains and losses are reported as a separate component of shareholders' equity. Realized gains and losses are recorded in the statement of operations and have not been material to date. The amounts reported and the related cost, market value and unrealized gain at December 31, 1994 are (in thousands):

Issue	Number of Shares	Cost	Market Value	Unrealized Gains
Available-for-sale:	-			
Equity securities -				
Dixon common stock	2,851	$ 7,890	$ 8,432	$542
Foreign government debt securities -				
Eurodollar notes (Mature May 15, 1995)		50,000	50,000	-
Total marketable securities		$57,890	$58,432	$542

Inventories - Inventories are stated at the lower of cost or market. Cost is computed using standard costs which approximate actual cost on a first-in, first-out basis. Market for each of the Company's product lines is determined by reference to expected sales prices less direct selling expenses.

Prepaid Advertising - Included in other current assets at December 31, 1994 is $3.2 million of prepaid advertising resulting from a barter transaction. The amount recorded as prepaid advertising equals the carrying value of Lynx inventory exchanged for advertising credits. The Company expects to expense the prepaid advertising as utilized during 1995.

Equipment and Tooling - Equipment and tooling are stated at cost. Depreciation on equipment is computed using the straight-line method based on estimated useful lives of the assets of three to five years. Tooling is depreciated on a units of production basis. Leasehold improvements are amortized over the estimated useful life or lease term, as appropriate. Fully depreciated assets, and related depreciation, are excluded from the consolidated financial statements.

Real Estate Held for Sale - Real property associated with closed operations in the U.S. is stated at estimated market value as determined by recent valuations, appraisals or pending sales offers.

Revenue Recognition - Sale of consoles, software game cartridges and related products are recorded as revenue at the time of shipment to customers. Concurrently, the Company establishes reserves for estimated returns, which are recorded as a reduction of sales, and for cooperative advertising allowances, which are recorded as marketing and distribution expense.

Concentration of Credit Risk - The Company sells to mass market retailers, consumer electronic specialty stores and to distributors of electronic products throughout the United States and Europe. The Company makes ongoing credit evaluations of customers and, at times, requires letters of credit from some foreign customers. Sales to foreign customers are generally stated in the currency of the customer. To date, the Company has not entered into hedges of these foreign currency exposures.

Income Taxes - The Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109) "Accounting for Income Taxes" in the first quarter of 1993. SFAS 109 requires an asset and liability method for financial accounting and reporting of income taxes. Prior to 1993, the Company accounted for income taxes in accordance with SFAS 96. The impact of the adoption of SFAS 109 was not material.

Foreign Currency Translation - Assets and liabilities of operations outside the United States, except for operations that are highly integrated with operations of the Company, are translated into United States dollars using current exchange rates, and the effects of foreign currency translation adjustments are deferred and included as a component of shareholders' equity.

Income (Loss) per Common Share- Per share amounts are computed based on the weighted average number of common and, when dilutive, common equivalent shares (stock options) outstanding during each period.

Fully diluted income (loss) per share includes, when dilutive, the effect of the assumed conversion of the 5¼% convertible subordinated debentures and the additional dilutive effect of stock options. These impacts were antidilutive in 1993 and 1992.

Fiscal Year - The Company has a 52/53 week fiscal year which ends on the Saturday closest to December 31. For simplicity of presentation, the date December 31 is used to represent the fiscal year end.

Reclassifications - Certain items have been reclassified in the 1993 and 1992 financial statements to conform to the 1994 presentation.

3. DISCONTINUED OPERATIONS

In 1988, the Company decided to discontinue its consumer electronics and home entertainment products retail stores operation, which was acquired in 1987, and provided a reserve for discontinued operations. In 1992, $9.0 million of the previously estimated loss was determined not to be required (no tax effect due to utilization of loss carryforwards). This reversal was reported as a credit in "discontinued operations" in 1992.

Net sales of the discontinued operation for 1994, 1993 and 1992 were nil. Remaining net assets of the discontinued operation are reported as real estate held for sale (see Note 7).

4. INVENTORIES

Inventories at December 31 consist of the following (in thousands):

	1994	1993
Finished goods	$ 15,799	$ 10,354
Raw materials and work-in-process	2,386	2,194
Total	$ 18,185	$ 12,548

5. GAME SOFTWARE DEVELOPMENT COSTS

The Company has an ongoing program to develop game software internally and externally. External development costs are capitalized once technological feasibility has been determined. Internal development costs are expensed as incurred as these costs relate primarily to development tools. During 1994 and 1993, the Company capitalized $5,901,000 and $820,000, respectively, of amounts paid to third parties, primarily as prepaid licenses, in connection with game development for the Jaguar platform. The Company amortizes such costs over the shorter of 12 months from game introduction or the estimated unit sales of the game title. The Company assesses the recoverability of capitalized games software development costs in light of many factors, including, but not limited to, anticipated future revenues, estimated economic useful lives and changes in software and hardware technologies. Amortization expense was $1,545,000 and $31,000 for the years ended December 31, 1994 and 1993, respectively.

6. EQUIPMENT AND TOOLING

Equipment and tooling at December 31 consists of the following (in thousands):

	1994	1993
Equipment and tooling	$ 1,874	$ 2,601
Furniture and fixtures	708	718
Leasehold improvements	43	73
Total	2,625	3,392
Accumulated depreciation and amortization	(1,310)	(2,372)
Equipment and tooling - net	$ 1,315	$ 1,020

7. REAL ESTATE HELD FOR SALE

Property held for sale at December 31, 1994 consists of nine properties in California and Texas, from the discontinued consumer electronics and home entertainment products operation. Certain of the properties have rental tenants, although all properties are available for sale. Rental income, net of rental expense and continued depreciation, is included in other income (expense). Disposals in 1994 were the Company's building in Germany and land and building in France, which were disposed of with no significant gain or loss.

8. ACCRUED LIABILITIES

Accrued liabilities at December 31 consist of the following (in thousands):

	1994	1993
Accrued interest	$1,513	$1,521
Net liabilities of closed operations	-	1,229
Accrued royalties	320	811
Accrued restructuring charge	719	959
Other	2,625	1,351
Total	$5,177	$5,871

9. LETTERS OF CREDIT AND RESTRICTED CASH

The Company's Jaguar console is assembled by a third-party subcontractor. At the time the Company places an order for Jaguar units, it provides the subcontractor with a commercial letter of credit. At December 31, 1994 cash balances of $4.5 million were collateral for outstanding commercial letters of credit. At December 31, 1993, cash balances of $19.0 million were collateral for outstanding letters of credit.

10. LONG-TERM DEBT OBLIGATIONS

Convertible Subordinated Debentures - The Company has $43.5 million of 5¼% convertible subordinated debentures due April 29, 2002. The market value of these debentures was approximately $22 million at December 31, 1994 and $29 million at December 31, 1993. The debentures may be redeemed at the Company's option, upon payment of a premium. The debentures, at the option of the holders, are convertible into common stock at $16.31 per share. At December 31, 1994, 2,664,255 shares of common stock were reserved for conversion. Default with respect to other indebtedness of Atari Corporation in an aggregate amount exceeding $5 million would result in an event of default whereby the outstanding debentures would be due and payable immediately.

In 1992, the Company reacquired in the open market and extinguished $.2 million face value of these debentures for $0.1 million, resulting in an extraordinary credit of $.1 million.

Term Loans on Real Estate in Europe - At December 31, 1993, the Company had two secured term loans outstanding totaling $7.5 million for its building in Germany and a term loan of $2.0 million for its land and building in France. These loans were repaid or exchanged in 1994 from the sale or transfer of the properties.

11. SETTLEMENTS OF PATENT LITIGATION

During the first quarter of 1994, the Company received $2.2 million with respect to the settlement of litigation between the Company, Atari Games Corporation and Nintendo. Although not part of the litigation, the Company sold 1,500,000 shares of its common stock to Time Warner (parent company of Atari Games Corporation), Inc. for $12.8 million.

During the fourth quarter of 1994, the Company completed a comprehensive agreement ("Agreement") with Sega Enterprises, Ltd. ("Sega") concerning resolution of disputes, equity investment and patent and product licensing agreements. The results of the Agreement were as follows: (i) Sega acquired 4,705,883 shares of the Company's common stock for $40.0 million; (ii) the Company received payment of $29.8 million ($50.0 million from Sega, net of $20.2 million of legal fees and associated costs) in exchange for a license from Atari covering the use of a library of Atari patents issued between 1977 through 1984 (excluding patents which exclusively claim elements of the Company's JAGUAR and LYNX products) through the year 2001; and (iii) the Company and Sega agreed to cross-license up to five software game titles each year through the year 2001.

12. INCOME TAXES

The credit for income taxes consists of the following (in thousands):

	1994	1993	1992
Current:			
Federal	$ -	$ -	$ -
Foreign	-	(264)	(434)
State	-	-	-
Income tax credit	$ -	$ (264)	$ (434)

The current portion of the credit for foreign income taxes is net of benefits from loss carryforwards of $0, $0, and $3,041,000 in 1994, 1993 and 1992, respectively. Income (loss) before income taxes for the years 1994, 1993 and 1992 include losses of $(2,641,000), $(33,482,000), and $(26,983,000), respectively, from the Company's foreign subsidiaries.

At December 31, 1994, the Company has a U.S. income tax net operating loss carryforward of $120.4 million which expires in 2006 through 2009, a research and development tax credit carryforward of $1.4 million which expires in 2003 through 2009, and a California income tax loss carryforward of $38.6 million which expires as follows: $2.3 million in 1995, $16.4 million in 1997, $16.7 million in 1998 and $1.6 million in 1999.

The effective income tax rates for 1994, 1993 and 1992 were 0%, (1)%, and (1)%, respectively, and differ from the federal statutory rate of 35% in 1994, 35% in 1993 and 34% in 1992 as follows (in thousands):

	1994	1993	1992
Computed at federal statutory rates	$ 3,288	$ (17,103)	$ (25,177)
Foreign income not subject to income tax	-	-	(7,942)
Effect of losses providing no current tax benefit	924	16,821	34,655
Tax benefit of foreign loss carryforwards	-	-	(3,041)
Effect of foreign tax rates different than statutory rates and utilization of foreign loss carrybacks	-	16	1,033
Reduction of valuation allowance	(4,212)	-	-
Other	-	2	38
Income tax credit	$ -	$ (264)	$ (434)

The components of the net deferred tax asset consist of:

	December 31, 1994	December 31, 1993
Deferred tax assets:		
U.S. operating loss carryforwards	$ 42,149	$ 25,846
State operating loss carryforwards	2,321	2,164
Capital loss carryforwards	1,804	2,062
Research and development tax credit carryforwards	1,370	1,210
Inventory reserves	2,781	10,222
Restructuring charges	239	4,360
Other items	5,826	6,414
Subtotal	56,490	52,278
Valuation allowance	(56,490)	(52,278)
Net deferred tax asset	$ -	$ -

Due to the uncertainty surrounding the timing and realization of the benefits of its favorable tax attributes in future years, the Company has established a valuation allowance to offset its otherwise recognizable deferred tax assets.

13. STOCK OPTIONS

The Company's stock option plan and restricted stock plan provide for the issuance of up to 3,000,000 shares of common stock through the issuance of incentive stock options to employees and nonqualified stock options and restricted stock to employees, directors and consultants. Under the plans, stock options or restricted stock may be granted at not less than fair market value as determined by the Board of Directors. Stock options become exercisable as established by the Board (generally ratably over five years) and expire up to ten years from date of grant. The Company's right to repurchase restricted stock lapses over a maximum period of five years. At December 31, 1994 options for 488,733 shares were exercisable and options for 1,334,805 shares were available for future grant. At December 31, 1994, no restricted stock under the restricted stock plan had been issued.

Additional information with respect to the stock option plan is as follows:

	Number of Options	Option Price Range Per Share Low		Option Price Range Per Share High	Total
Outstanding, January 1, 1992	1,981,608	$ 1.880	-	$ 13.00	$7,620,900
Granted	150,000	1.500	-	3.00	315,000
Cancelled	(1,161,208)	2.000	-	13.00	(4,804,450)
Outstanding, December 31, 1992	970,400	1.500	-	7.50	3,131,450
Granted	535,583	0.875	-	4.75	1,045,093
Exercised	(89,300)	0.875	-	3.00	(195,463)
Cancelled	(222,500)	0.875	-	6.00	(831,625)
Outstanding, December 31, 1993	1,194,183	0.875	-	7.50	3,149,455
Granted	289,500	2.250	-	7.00	1,467,750
Exercised	(157,065)	0.875	-	6.25	(372,403)
Cancelled	(18,160)	1.675	-	7.50	(93,980)
Outstanding, December 31, 1994	1,308,458	$0.875	-	$ 7.00	$4,150,822

14. SEGMENT INFORMATION

The Company operates in one industry segment — the design, sale and servicing of consumer electronic products.

The Company's foreign operations at December 31, 1994 consist of sales and distribution facilities in Europe. Transfers between geographic areas are accounted for at amounts generally above cost and in accordance with the rules and regulations of the respective governing tax authorities. Corporate assets are primarily cash and equivalents and real estate held for sale.

The following tables present a summary of operations by geographic region:

	1994	1993	1992
Revenues from unaffiliated customers:			
North America	$ 22,854	$ 7,087	$ 19,359
Export sales from North America	8,538	-	2,745
Europe	7,052	18,548	98,439
Other	-	3,170	6,797
Total	$ 38,444	$ 28,805	$ 127,340
Transfer between geographic areas (eliminated in consolidation):			
North America	$ 1,046	$ 17,781	$ 102,622
Europe	1,895	25,284	17,055
Other	-	102	12,968
Total	$ 2,941	$ 43,167	$ 132,645

	1994	1993	1992
Operating income (loss):			
North America	$ (21,600)	$ (14,025)	$ (50,051)
Europe	(2,447)	(19,741)	(24,660)
Other	-	(13,733)	(4,297)
Total	$ (24,047)	$ (47,499)	$ (79,008)
Identifiable assets at December 31:			
North America	$ 37,627	$ 17,369	$ 14,450
Europe	1,650	5,801	53,727
Other	-	-	21,161
Corporate assets	91,765	51,663	49,170
Total	$ 131,042	$ 74,833	$ 138,508

15. COMMITMENTS AND CONTINGENT LIABILITIES

The Company leases various facilities and equipment under noncancellable operating lease arrangements. These leases generally provide renewal options of five additional years. Minimum future lease payments under noncancellable operating leases as of December 31, 1994 are as follows (in thousands):

1995	$ 1,192
1996	572
1997	333
1998	98
Total minimum lease payments	$ 2,195

Rent expense for operating leases was $1,218,000, $1,251,000 and $2,227,000 for the years 1994, 1993 and 1992, respectively.

Certain claims and suits arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, all such matters have been adequately provided for, are without merit, or are such that if settled unfavorably would not have a material adverse effect on the Company's consolidated financial position and results of operations.

* * * * *

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1995 annual meeting of shareholders.

Item 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1995 annual meeting of shareholders.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1995 annual meeting of shareholders.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1995 annual meeting of shareholders.

<u>Trademarks Used in This Form 10-K</u>

"ATARI", and the Atari logo are registered trademarks of Atari Corporation. "Jaguar", "Lynx" and "Tempest 2000" are trademarks of Atari Corporation. "Mortal Kombat III" and "Defender 2000" are trademarks of Williams Entertainment Company. "Batman Forever" is a trademark of DC Comics. "Frank Thomas 'Big Hurt' Baseball" and "NBA Jam Tournament Edition" are trademarks or registered trademarks of, or licensed to, Acclaim Entertainment, Inc. "Highlander" is a registered of Bohbot Communications. "Alien" and "Predator" are [TM] and © Twentieth Century Fox Film Corporation. "Nintendo" and "Ultra 64" are trademarks or registered trademarks of Nintendo Company, Ltd. "Sega", Genesis" and "Saturn" are trademarks or registered trademarks of Sega Enterprises, Ltd. "Sony" and "PlayStation" are trademarks or registered trademarks of Sony Corporation. "3DO" is a registered trademark of The 3DO Company. All other trademarks are the properties of their respective owners.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report:

1. Financial Statements.

The financial statements required to be filed hereunder are listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules on Page 15 hereof.

2. Financial Statement Schedules

The financial statement schedules required to be filed hereunder are listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules on Page 15 hereof.

3. Exhibits

The exhibits listed under Item 14(c) are filed as part of this annual Report on Form 10-K.

(b) Reports on Form 8-K: None.

(c) Exhibits

Exhibit	Notes	Description
3.1	(1)	Articles of Incorporation of Registrant, as filed May 17, 1984.
3.2	(1)	Certificate of Amendment of Articles of Incorporation as filed July 11, 1984.
3.3	(1)	Certificate of Amendment of Articles of Incorporation, as filed September 12, 1986.
3.4	(1)	Amended and Restated Bylaws of Registrant.
4.1	(1)	Form of Indenture.
0.1	(1)	OEM Software License Agreement with Digital Research (California) Inc., dated August 22, 1984.
0.2	(1)	License Funding and Sale Agreement with Epyx Inc. dated January 5, 1990.
0.3	(2)	Hardware Technology Assignment and License Agreement with Epyx Inc. dated June 3, 1989.
0.4	(2)	Software Production and Distribution License Agreement with Epyx Inc. dated June 3, 1989.
0.5	(2)	Manufacturing Services Agreement with Epyx Inc. dated June 21, 1989.

Exhibit	Notes	Description
10.6	(2)	OEM Purchase and Distribution Agreement with Epyx Inc. dated June 12, 1989.
10.7	(1)	Lease Agreement for 1196 Borregas Avenue, Sunnyvale, California, dated July 1980, with Assignment to Registrant.
10.8	(1)	Industrial Lease Agreement for Warehouse at 360 Caribbean Drive, Sunnyvale, California, Dated May 10, 1986.
10.9	(1)	Industrial Lease Agreement for Warehouse at 390 Caribbean Drive, Sunnyvale, California, Dated December 17, 1986.
10.10	(3)	Agreement and Plan of Merger with The Federated Group, Inc. dated August 28, 1987.
10.11	(2)	Agreement for Sale of Assets dated November 8, 1989 among Silo California Inc., The Federated Group, Inc. and Atari Corporation.
10.12	(1)	Amended 1986 Stock Option Plan.
10.13	(1)	Amended form of Incentive Stock Option Agreement.
10.14	(4)	Amended Stock Option Plan.
10.15	(1)	Memorandum of Agreement among Registrant, Jack Tramiel, Atari Holdings, Inc., Productions et Editions Cinematographiques Francais S.A.R.L., Atari International (UK) Inc., Warner Communications Inc. and certain subsidiaries of Atari Holdings, Inc., dated August 29, 1986.
10.16	(1)	Assets Purchase Agreement with Atari, Inc. and certain subsidiaries and affiliates of Atari, Inc., dated July 1, 1984.
10.17	(1)	Agreement with Atari, Inc. and Jack Tramiel, dated July 1, 1984.
10.18	(1)	Intellectual Property Rights Heads of Agreement with Atari, Inc., dated July 1, 1984.
10.19	(6)	Agreement for Purchase and Sale of Real Estate-Taiwan.
10.20	(6)	General Agreement of Sale - Irish Facility.
10.21	(7)	Stock Purchase Agreement with Time Warner, Inc. dated March 24, 1994.
10.22	(8)	Stock Purchase Agreement with Sega Holdings USA, Inc. dated September 26, 1994.
22.0	(5)	Subsidiaries of the Company.

(1) Incorporated by reference to the Company's Form S-1 Registration Statement, Registration No. 33-12753, filed with the Commission on July 2, 1987.

(2) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1989.

(3) Incorporated by reference to the Company's Form 14D-1 and 13D Statement, filed with the Commission on August 28, 1987.

(4) Incorporated by reference to the Company's Proxy Statement relating to its Annual Meeting of Shareholders held on May 16, 1989.

(5) Subsidiaries of the Company (see Page 42 hereof).

(6) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.

(7) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the fiscal period ended March 31, 1994.

(8) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the fiscal period ended September 30, 1994.

ATARI CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
(Amounts in Thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions		Balance at End of Period
December 31, 1992:					
Allowance for doubtful accounts	$3,975	$ 986	$2,428	(1)	$2,533
Accrued sales returns and allowances	2,627	3,560	1,887	(2)	4,300
December 31, 1993:					
Allowance for doubtful accounts	$2,533	$ 232	$2,293	(1)	$ 472
Accrued sales returns and allowances	4,300	457	4,181	(2)	576
December 31, 1994:					
Allowance for doubtful accounts	$ 472	$ 194	$ 72	(1)	$ 594
Accrued sales returns and allowances	576	1,563	776	(2)	1,363

(1) Amounts written off, net
(2) Customer returns allowed

EXHIBIT 22

SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction
Atari (Benelux) B.V.	Holland
Atari Corp. (U.K.) Ltd.	England
Atari Computer Corporation	Nevada

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ATARI CORPORATION
(Registrant)

By: /S/ Jack Tramiel
Jack Tramiel
Chairman of the Board

/S/ Sam Tramiel
Sam Tramiel
President, Chief Executive Officer and Director

/S/ Michael Rosenberg
Michael Rosenberg
Director

/S/ Leonard I. Schreiber
Leonard I. Schreiber
Director

/S/ August J. Liguori
August J. Liguori
Vice President, Treasurer, Director and
Chief Accounting Officer

CORPORATE DIRECTORY

DIRECTORS

JACK TRAMIEL
Chairman of the Board

SAM TRAMIEL
President
Chief Executive Officer

MICHAEL ROSENBERG
Chairman & Chief Executive
Officer-Ross & Roberts, Inc.

LEONARD I. SCHREIBER
Partner-Schreiber & McBride

AUGUST J. LIGUORI
Vice President - Finance, Treasurer
Chief Financial Officer

OFFICERS

JACK TRAMIEL
Chairman of the Board

SAM TRAMIEL
President
Chief Executive Officer

AUGUST J. LIGUORI
Vice President - Finance, Treasurer
Chief Financial Officer
Secretary

LAURENCE SCOTT
Vice President - Manufacturing and
Operations

LEONARD TRAMIEL
Vice President - Advanced
Software Development

DEAN FOX
Senior Vice President -
Marketing

CORPORATE INFORMATION

TRANSFER AGENT
Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016

AUDITORS
Deloitte & Touche LLP
60 South Market Street, Ste. 800
San Jose, CA 95113

ANNUAL MEETING
The Annual Meeting of
Shareholders will be held on
June 5, 1995 at 2:00p.m. at the
Atari Corporate Offices:
1196 Borregas Avenue
Sunnyvale, CA 94089

FORM 10-K ANNUAL REPORT
A copy of the Company's Annual
Report on Form 10-K (exclusive
of exhibits) as filed with the
Securities and Exchange
Commission is included in this
report.

Atari Corporation
Sunnyvale, CA 94089-1302